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SUBJECT: IMF INTERIM COMMITTEE COMMUNIQUE

1. THE FOLLOWING IS THE TEXT OF THE COMMUNIQUE OF THE MINISTERIAL MEETING OF THE INTERNATIONAL MONETARY FUND'S INTERIM COMMITTEE HELD IN WASHINGTON ON JANUARY 15 AND 16, 1975.

2. QUOTE THE INTERIM COMMITTEE OF THE INTERNATIONAL MONETARY FUND HELD ITS SECOND MEETING IN WASHINGTON, D.C. ON JANUARY 15 AND 16, 1975. MR. JOHN N. TURNER, MINISTER OF FINANCE OF CANADA, WAS IN THE CHAIR. MR. H. JOHANNES
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WITTEVEEN, MANAGING DIRECTOR OF THE INTERNATIONAL MONETARY

FUND, PARTICIPATED IN THE MEETING. THE FOLLOWING OBSERVERS ATTENDED DURING THE COMMITTEE'S DISCUSSIONS OF THE MATTERS REFERRED TO IN PARAGRAPHS 2, 3, AND 4 BELOW: MR. HENRI KONAN BEDIE, CHAIRMAN, BANK-FUND DEVELOPMENT COMMITTEE; MR. GAMANI COREA, SECRETARY GENERAL, UNCTAD; MR. WILHELM HAFERKAMP, VICE PRESIDENT, EC COMMISSION; MR. MAHJOOB A. HASSANAIN, CHIEF, ECONOMICS DEPARTMENT, OPEC; MR. RENE LARRE, GENERAL MANAGER, BIS; MR EMILE VAN LENNEP, SECRETARY GENERAL, OECD; MR. OLIVER LONG, DIRECTOR GENERAL, GATT; MR. ROBERT S. MCNAMARA, PRESIDENT, IBRD.

3. THE COMMITTEE DISCUSSED THE WORLD ECONOMIC OUTLOOK AND AGAINST THIS BACKGROUND THE INTERNATIONAL ADJUSTMENT PROCESS. GREAT CONCERN WAS EXPRESSED ABOUT THE DEPTH AND DURATION OF THE PRESENT RECESSIONARY CONDITIONS. IT WAS URGED THAT ANTI-RECESSIONARY POLICIES SHOULD BE PURSUED WHILE CONTINUING TO COMBAT INFLATION, PARTICULARLY BY COUNTRIES IN A RELATIVELY STRONG BALANCE OF PAYMENTS POSITION. IT WAS OBSERVED THAT VERY LARGE DISEQUILIBRIA PERSIST NOT ONLY BETWEEN MAJOR OIL EXPORTING COUNTRIES AS A GROUP AND ALL OTHER COUNTRIES, BUT ALSO AMONG COUNTRIES IN THE LATTER GROUP, PARTICULARLY BETWEEN INDUSTRIAL AND PRIMARY PRODUCING COUNTRIES. ANXIETY WAS ALSO VOICED THAT ADEQUATE FINANCING MIGHT NOT BECOME AVAILABLE TO COVER THE VERY LARGE AGGREGATE CURRENT ACCOUNT DEFICITS, OF THE ORDER OF US DOLS 30 BILLION, IN PROSPECT FOR THE DEVELOPING COUNTRIES OTHER THAN MAJOR OIL EXPORTERS IN 1975.

4. THE COMMITTEE AGREED THAT THE OIL FACILITY SHOULD BE CONTINUED FOR 1975 ON AN ENLARGED BASIS. THEY URGED THE MANAGING DIRECTOR TO UNDERTAKE AS SOON AS POSSIBLE DISCUSSIONS WITH MAJOR OIL EXPORTING MEMBERS OF THE FUND, AND WITH OTHER MEMBERS IN STRONG RESERVE AND PAYMENTS POSITIONS, ON LOANS BY THEM FOR THE PURPOSE OF FINANCING THE FACILITY. THE COMMITTEE AGREED ON A FIGURE OF SDR 5 BILLION AS THE TOTAL OF LOANS TO BE SOUGHT FOR THIS PURPOSE. IT WAS ALSO AGREED THAT ANY UNUSED PORTION OF THE LOANS NEGOTIATED IN 1974 SHOULD BE AVAILABLE IN 1975. THE COMMITTEE AGREED THAT IN VIEW OF THE

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UNCERTAINTIES INHERENT IN PRESENT WORLD ECONOMIC CONDITIONS, IT WAS NECESSARY TO KEEP THE OPERATION OF THE OIL FACILITY UNDER CONSTANT REVIEW SO AS TO BE ABLE TO TAKE WHATEVER FURTHER ACTION MIGHT BE NECESSARY IN THE BEST INTERESTS OF THE INTERNATIONAL COMMUNITY. IT WAS ALSO UNDERSTOOD THAT DURING THE COMING MONTHS IT WOULD BE USEFUL TO REVIEW THE POLICIES, PRACTICES, AND RESOURCES OF THE FUND SINCE IT WOULD BE APPROPRIATE TO MAKE

INCREASED USE OF THE FUND'S ORDINARY HOLDINGS OF CURRENCY TO MEET THE NEEDS OF MEMBERS THAT WERE ENCOUNTERING DIFFICULTIES.

5. THE COMMITTEE EMPHASIZED THE NEED FOR DECISIVE ACTION TO HELP THE MOST SERIOUSLY AFFECTED DEVELOPING COUNTRIES. IN CONNECTION WITH THE OIL FACILITY, THE COMMITTEE FULLY ENDORSED THE RECOMMENDATION OF THE MANAGING DIRECTOR THAT A SPECIAL ACCOUNT SHOULD BE ESTABLISHED WITH APPROPRIATE

CONTRIBUTIONS BY OIL EXPORTING AND INDUSTRIAL COUNTRIES, AND POSSIBLY BY OTHER MEMBERS CAPABLE OF CONTRIBUTING, AND THAT THE FUND SHOULD ADMINISTER THIS ACCOUNT IN ORDER TO REDUCE FOR THE MOST SERIOUSLY AFFECTED MEMBERS THE BURDEN OF INTEREST PAYABLE BY THEM UNDER THE OIL FACILITY.

6. THE COMMITTEE CONSIDERED QUESTIONS RELATING TO THE SIXTH GENERAL REVIEW OF THE QUOTAS OF MEMBERS, WHICH IS NOW UNDER WAY, AND AGREED, SUBJECT TO SATISFACTORY AMENDMENT OF THE ARTICLES, THAT THE TOTAL OF PRESENT QUOTAS SHOULD BE INCREASED BY 32.5 PER CENT AND ROUNDED UP TO SDR 39 BILLION. IT WAS UNDERSTOOD THAT THE PERIOD FOR THE NEXT GENERAL REVIEW OF QUOTAS WOULD BE REDUCED FROM FIVE YEARS TO THREE YEARS. THE COMMITTEE ALSO AGREED THAT THE QUOTAS OF THE MAJOR OIL EXPORTERS SHOULD BE SUBSTANTIALLY INCREASED BY DOUBLING THEIR SHARE AS A GROUP IN THE ENLARGED FUND, AND THAT THE COLLECTIVE SHARE OF ALL OTHER DEVELOPING COUNTRIES SHOULD NOT BE ALLOWED TO FALL BELOW ITS PRESENT LEVEL. THERE WAS A CONSENSUS THAT BECAUSE AN IMPORTANT PURPOSE OF INCREASES IN QUOTAS WAS STRENGTHENING THE FUND'S LIQUIDITY, ARRANGEMENTS SHOULD BE MADE UNDER WHICH ALL THE FUND'S HOLDINGS OF CURRENCY WOULD BE USABLE IN ACCORDANCE WITH ITS POLICIES. THE UNCLASSIFIED

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COMMITTEE INVITED THE EXECUTIVE DIRECTORS TO EXAMINE QUOTAS ON THE BASIS OF THE FOREGOING UNDERSTANDINGS, AND TO MAKE SPECIFIC RECOMMENDATIONS AS PROMPTLY AS POSSIBLE ON INCREASES IN THE QUOTAS OF INDIVIDUAL MEMBER COUNTRIES.

7. I. THE COMMITTEE CONSIDERED THE QUESTION OF AMENDMENT OF THE ARTICLES OF AGREEMENT OF THE FUND. IT WAS AGREED THAT THE EXECUTIVE DIRECTORS SHOULD BE ASKED TO CONTINUE THEIR WORK IN THIS SUBJECT AND, AS SOON AS POSSIBLE, SUBMIT FOR CONSIDERATION BY THE COMMITTEE DRAFT AMENDMENTS ON THE FOLLOWING SUBJECTS:

(A) THE TRANSFORMATION OF THE INTERIM COMMITTEE INTO A PERMANENT COUNCIL AT AN APPROPRIATE TIME, IN WHICH EACH MEMBER WOULD BE ABLE TO CAST THE VOTES OF THE COUNTRIES

IN HIS CONSTITUENCY SEPARATELY. THE COUNCIL WOULD HAVE DECISION-MAKING AUTHORITY UNDER POWERS DELEGATED TO IT BY THE BOARD OF GOVERNORS.

(B) IMPROVEMENTS IN THE GENERAL ACCOUNT, WHICH WOULD INCLUDE (I) ELIMINATION OF THE OBLIGATION OF MEMBER COUNTRIES TO USE GOLD TO MAKE SUCH PAYMENTS TO THE FUND AS QUOTA SUBSCRIPTIONS AND REPURCHASES AND THE DETERMINATION OF THE MEDIA OF PAYMENT, WHICH THE EXECUTIVE DIRECTORS WOULD STUDY, AND (II) ARRANGEMENTS TO ENSURE

THAT THE FUND'S HOLDINGS OF ALL CURRENCIES WOULD BE USABLE IN ITS OPERATIONS UNDER SATISFACTORY SAFEGUARDS FOR ALL MEMBERS.

(C) IMPROVEMENTS IN THE CHARACTERISTICS OF THE SDR DESIGNED TO PROMOTE THE OBJECTIVE OF MAKING IT THE PRINCIPAL RESERVE ASSET OF THE INTERNATIONAL MONETARY SYSTEM.

(D) PROVISION FOR STABLE BUT ADJUSTABLE PAR VALUES AND THE FLOATING OF CURRENCIES IN PARTICULAR SITUATIONS, SUBJECT TO APPROPRIATE RULES AND SURVEILLANCE OF THE FUND, IN ACCORDANCE WITH THE OUTLINE OF REFORM.

II. THE COMMITTEE ALSO DISCUSSED A POSSIBLE AMENDMENT
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THAT WOULD ESTABLISH A LINK BETWEEN ALLOCATIONS OF SDRS AND DEVELOPMENT FINANCE, BUT THERE CONTINUES TO BE A DIVERSITY OF VIEWS ON THIS MATTER. IT WAS AGREED TO KEEP THE MATTER UNDER ACTIVE STUDY, BUT AT THE SAME TIME TO CONSIDER OTHER WAYS FOR INCREASING THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES.

8. THE COMMITTEE ALSO AGREED THAT THE EXECUTIVE DIRECTORS SHOULD BE ASKED TO CONSIDER POSSIBLE IMPROVEMENTS IN THE FUND'S FACILITIES ON THE COMPENSATORY FINANCING OF EXPROT FLUCTUATIONS AND THE STABILIZATION OF PRICES OF PRIMARY PRODUCTS AND TO STUDY THE POSSIBILITY OF AN AMENDMENT OF THE ARTICLES OF AGREEMENT THAT WOULD PERMIT THE FUND TO PROVIDE ASSISTANCE DIRECTLY TO INTERNATIONAL BUFFER STOCKS OF PRIMARY PRODUCTS.

9. THERE WAS AN INTENSIVE DISCUSSION OF FUTURE ARRANGEMENTS FOR GOLD. THE COMMITTEE REAFFIRMED THAT STEPS SHOULD BE TAKEN AS SOON AS POSSIBLE TO GIVE THE SPECIAL DRAWING RIGHT THE CENTRAL PLACE IN THE INTERNATIONAL MONETARY SYSTEM. IT WAS GENERALLY AGREED THAT THE OFFICIAL PRICE FOR GOLD SHOULD BE ABOLISHED AND OBLIGATORY PAY-

MENTS OF GOLD BY MEMBER COUNTRIES TO THE FUND SHOULD BE ELIMINATED. MUCH PROGRESS WAS MADE IN MOVING TOWARD A COMPLETE SET OF AGREED AMENDMENTS ON GOLD, INCLUDING THE ABOLITION OF THE OFFICIAL PRICE AND FREEDOM FOR NATIONAL MONETARY AUTHORITIES TO ENTER INTO GOLD TRANSACTIONS UNDER CERTAIN SPECIFIC ARRANGEMENTS, OUTSIDE THE

ARTICLES OF THE FUND, ENTERED INTO BETWEEN NATIONAL MONETARY AUTHORITIES IN ORDER TO ENSURE THAT THE ROLE OF GOLD IN THE INTERNATIONAL MONETARY SYSTEM WOULD BE GRADUALLY REDUCED. IT IS EXPECTED THAT AFTER FURTHER STUDY BY THE EXECUTIVE DIRECTORS, IN WHICH THE INTERESTS OF ALL MEMBER COUNTRIES WOULD BE TAKEN INTO ACCOUNT, FULL AGREEMENT CAN BE REACHED IN THE NEAR FUTURE SO THAT IT WOULD BE POSSIBLE TO COMBINE THESE AMENDMENTS WITH THE PACKAGE OF AMENDMENTS AS DESCRIBED IN PARAGRAPHS 6 AND 7 ABOVE.

10. THE COMMITTEE AGREED TO MEET AGAIN IN THE EARLY
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PART OF JUNNE, 1975 IN PARIS, FEANCE. END QUOTE. KISSINGER

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